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April 16, 2003

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2003 APR 17 PM 2:16
T.R.A. DOCKET ROOM

S. BARTOW STRANG
1882-1954

JOHN S. FLETCHER
1879-1961

JOHN S. CARRIGER
1902-1989

JOHN S. FLETCHER, JR.
1911-1974

ALBERT L. HODGE
1910-1997

F. THORNTON STRANG
1920-1999

* ALSO LICENSED IN GEORGIA
ALSO LICENSED IN ALABAMA

Ms. Patsy Fulton
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243-0505

03-00072

Re: Electric Power Board Telecommunications

Dear Patsy:

Enclosed is the Internal Audit Report regarding compliance with the Code of Conduct, which I failed to include with my letter to you of January 2, 2003.

Please accept my apologies for this oversight on my part.

Sincerely yours,



William C. Carriger
For the Firm

WCC:tm
EPB/TEL - #181
Enclosures

RECEIVED

APR 17 2003

TN REGULATORY AUTHORITY
TELECOMMUNICATIONS DIVISION

■ Memo



To: Harold DePriest

CC: Bill Chapman
Preston Suggs

From: Internal Audit *[Signature]*

Date: December 31, 2002

Subject: Audit of EPB Compliance with TRA Telecommunications Code of Conduct

Executive Summary

Purpose

An audit of EPB compliance with the TRA (Tennessee Regulatory Authority) Code of Conduct for fiscal year 2002 has been completed. The objective of the audit was to determine if EPB is in compliance with the Code of Conduct as stated in TRA Docket No. 97-07488.

Scope

The results of the audit are based on a review of the Code of Conduct section of TRA Docket No. 97-07488, review of procedures, and inquiries and observations made by Internal Audit.

Opinion

In our opinion, EPB is in compliance with the Code of Conduct conditions set forth in TRA Docket No. 97-07488. Minor improvements should be made in certain areas to further ensure compliance.

DETAILS OF OBSERVATIONS AND RECOMMENDATIONS

Introduction – How to Read This Report

Each of the audit observations listed in this section of the report contains five specific elements or parts.

1. Criterion – The standard used by the Auditor in evaluating the matter being audited. It may be a Board policy, a law, a regulation, a contractual obligation, or a generally accepted accounting or business practice.
2. Condition – What the Auditor found to exist in the course of the audit.
3. Cause – The reason for a deviation from the standard.
4. Effect – The result or risk caused by a condition deviating from the standard.
5. Recommendation – The Auditor's statement of actions that could be taken to correct the deficiency noted.

INDEX TO OBSERVATIONS

1. EPB is in compliance with the Code of Conduct section of TRA Docket No. 97-07488.
2. Minor improvements should be made in certain areas to further ensure compliance.

Distribution for response:

Observation 2 sent to:

Bill Chapman, Preston Suggs for a response.

1. Observation:

EPB is in compliance with the Code of Conduct section of TRA Docket No. 97-07488.

Criteria:

The Tennessee Regulatory Authority (TRA) Docket No. 97-07488 sets forth a Code of Conduct guiding the relationships between the Electric System and the Telecommunications System.

Condition:

EPB is in compliance with the Code of Conduct provisions of TRA Docket No. 97-07488. Examples of areas of compliance include:

1. Telecommunications employees do not have access to customer information obtained by the Electric System of EPB.
2. The Electric System does not allow advertising or promotional materials to be inserted in the monthly billing statements.
3. The BellSouth phone book lists separate phone numbers for the Telecommunications System (648-1500) and the Electric System (756-2706).
4. There is no indication in advertising, promotional materials, or sales efforts, that consumers who purchase products or services from Telecommunications will receive preferential treatment by the Electric System.
5. There are no indications that employees of the Electric System specify a preference for any product or service of the Telecommunications System over like services from a third party provider.
6. There are no indications of joint marketing of Telecommunications and Electric System services.
7. Telecommunications does not obtain credit under any arrangement that would permit a creditor, upon default, to have recourse to the assets of the Electric System.
8. There are no indications that EPB discriminates between Telecommunications and any other entity in the provision or procurement of goods, services, and information, or in the establishment of standards.

Cause:

Management has made efforts to diligently comply with the Code of Conduct requirements as set forth in the TRA Docket No. 97-07488.

Effect:

EPB is in compliance with the Code of Conduct provisions of TRA Docket No. 97-07488.

Recommendation: N/A

2. Observation:

Minor improvements should be made in certain areas to further ensure compliance.

Criteria:

The Tennessee Regulatory Authority (TRA) Docket No. 97-07488 sets forth a Code of Conduct guiding the relationships between the Electric System and the Telecommunications System.

Condition:

Minor improvements which could further ensure compliance were noted:

- a. There should be a written policy restricting electric system data from access by telecommunications personnel.
- b. There is not a written policy prohibiting personnel of the electric system from specifying a preference for a product or service of the telecommunications system.
- c. The telecommunications service agreement signed by customers contains comprehensive general authorization for release of credit data, but does not specifically authorize release of EPB electric system customer credit data.
- d. There has been very limited telecommunications marketing and advertising. However, the portfolio of marketing and advertising materials could be better organized to facilitate review.

Cause:

These minor improvements had not been previously considered.

Effect:

Written policies would further ensure employees understand the requirements between the electric and telecommunications systems. Specific authorization of release of EPB electric system customer credit data would further ensure compliance. Better organization of the marketing and advertising portfolio materials would facilitate review.

Recommendation:

The minor improvements noted above should be considered.